

The Bulletin

February
1981

Department of Education

Office of Student Financial Assistance

Butts Leaves

Effective February 6, Thomas A. Butts left his post as Deputy Assistant Secretary, joining other Education Department officials who have vacated or will soon vacate their jobs because of the change in Administrations. Butts will serve as an advisor to the Acting Assistant Secretary for Postsecondary Education until March 3. After that, he expects to continue working in the student financial assistance area.

James W. Moore (Director, Program Policy and Development) will serve as Acting Deputy Assistant Secretary.

SDC Toll-Free Services Uses Response Teams to Answer Questions

The toll-free service at the Systems Development Corporation (SDC) is now operational. SDC is using a new method to answer questions about 1981-82 Pell (Basic) Grant processing. A switchboard operator will answer the call and determine the nature of the caller's question. The call will then be directed to specialized response teams who will be trained to handle specific types of phone calls.

To get quicker service, callers can immediately ask the switchboard operator for the team best able to answer their questions. The teams are:

- Team 1 —Requests for duplicates,
—Checks on status of processing of applications and corrections.
- Team 2 —Help with corrections problems.
—Questions on the calculation of the Eligibility Index.
- Team 3 —Assistance in completing application and special condition forms.

Institutional Assistance Staff—All calls from institutional financial aid administrators
—All calls from counselors

ADS Staff—All calls related to ADS

SDC's Toll-free service numbers are:

1. For the Continental US (except calls originating in California)—(800) 423-6932.
2. For calls originating in California—(800) 352-8671.
3. For calls originating in Hawaii and Alaska—(800) 423-6872.

All activities related to the 1980-81 academic year will continue to be handled by ACT in Iowa City, Iowa and all calls about 1980-81 should be directed to them on (800) 553-6350. If the caller is in Iowa, dial (800) 272-6490, and dial (800) 553-6270 from Alaska or Hawaii.

Basic Educational Opportunity Grant Reporting Requirements

Progress Reports

Basic Grant Progress Reports which reflect the use of funds at the institution through each scheduled report submission and aid in determining the cumulative program funding level, must be submitted on time in order for us to provide a more equitable flow of funds to all institutions. Progress Reports are due November 15, March 15, and July 15 of each academic year. Failure to submit the reports by these dates will result in reduced funding. For us to better serve your institution, it is imperative that all scheduled reports be completed on time and mailed to:

Basic Grants
P.O. Box 2468
Washington, D.C. 20013

Institutions must be sure to use the correct address since reports mailed to other addresses impedes the processing cycle and increases the chances of documents being lost.

Student Validation Rosters

The Basic Grant Program staff has recently accelerated the close-out of prior year accounts. A necessary part of this effort is the receipt of completed validation rosters for all outstanding years. All currently outstanding rosters are to be completed and returned for processing immediately. Non-respondent institutions will have funding levels frozen and subsequent progress reports received will not be processed until the delinquent student validation rosters have been received by the Basic Grant Program office.

Interest Earned on Certain Federal Funds Must Be Sent To Federal Government

In a Dear Colleague letter mailed in November, all institutions participating in the Basic Grant regular disbursement system were reminded that interest earned on advances of Federal funds must be remitted to the Federal Government, except for interest earned on advances to states or agencies of a state as provided by the Intergovernmental Cooperation Act of 1968 (Public Law 90-577).

If any participating institution has earned interest on the deposit of funds advanced for Basic Grants, the institution must report this in the remarks section of the DFAFS Report 27. The institution must then remit the amount due by check or money order payable to the Federal Assistance Financing Branch, Department of Health and Human Services. The remittance should be sent to:

Department of Health and Human Services
Office of the Secretary
Federal Assistance Financing Branch
Box 6021
Rockville, Maryland 20852

If you have any questions, please call the Basic Grant Fund Control Unit, (202) 447-9025 or the appropriate contact person at DFAFS.

Page 68011 of the October 14, 1980 FEDERAL REGISTER states that all elementary and secondary schools in the State operated by the Bureau of Indian Affairs (BIA) are considered to meet the qualification of a high concentration of students from low-income families and are, therefore, not included on this list. The schools are not listed because all of them are automatically eligible institutions for teachers to receive NDSL teacher cancellation.

Submission of Uncollectible NDSL Notes

A letter was mailed in January to all institutions participating in the National Direct Student Loan (NDSL) Program. The letter contained amended requirements for submitting certain uncollectible notes to the Federal Government during the 1980-81 Award Period. Unfortunately, we have encountered some difficulties in getting the NEW 553 Form designed and cleared for distribution. Until the new form is available, institutions should continue to use the existing Form 553 for the submission of accounts, in accordance with the December 1980 requirements. Every effort is being made to distribute the new form at the earliest possible date. A moderate supply of the forms will be sent to all institutions and the regional offices. Detailed instructions dealing with specific submission procedures will accompany the new forms.

Update of 1981-82 Funding for the Campus-Based Programs

Processing of 1981-82 FISAP applications is proceeding on schedule. Tentative funding levels for the campus-based programs will be released in early March. Institutions were provided with an edited version of the FISAP earlier this month to correct any errors in the report and application data base. Those corrections are being entered into the system prior to the determination of tentative funding levels.

Beauty School Owner Convicted of Conspiracy Involving Basic Grant Funds

On December 19, 1980, Mr. James Sutton, owner of the Monique Beauty Academy, Washington, D.C., was convicted of 35 counts in the Federal district court on charges of conspiracy, obstructing justice, and submitting false statements which involved Basic Educational Opportunity Grant funds.

According to evidence presented in the case, the academy received a total of \$557,000 in Basic Grant funds between 1976 and 1979. The Government contended that in addition to the \$100,000 illegally kept by Mr. Sutton, another \$185,000 is unaccounted for.

Sutton was sentenced to serve a minimum of 2½ years in prison. He was released on \$10,000 cash

bond pending any appeal of his conviction. Specifically, the sentence is 15-45 months for the conspiracy conviction and a consecutive term of 15-45 months for obstruction of justice. Also a *concurrent* term of 15-45 months for 33 counts of making false statements.

GSLP Special Allowance for Quarter Ending Dec. 31, 1980

The Assistant Secretary for Postsecondary Education announced that for the three-month period ending December 31, 1980, a special allowance at an *annual rate* of 11.00 percent will be paid to holders of eligible loans in the Guaranteed Student Loan Program.

Using the statutory formula, the special allowance for this *three-month* period was computed by determining the average of the bond equivalent rates of the 91-day Treasury bills for the period (14.42 percent), by subtracting 3.5 percent from this average, by rounding the resultant percent (10.92) upward to the nearest one-eighth of 1 percent (11.00), and by dividing the resultant percent by four (2.75000 percent). Thus, the special allowance to be paid for this period will be 2.75000 percent of the average unpaid balance of principal (not including unearned interest added to principal) of all eligible loans held by lenders.

Correction to Student Assistance General Provisions Regs

The Student Assistance General Provisions final regulations were published in the FEDERAL REGISTER on December 31, 1980, because of changes brought about by the Education Amendments of 1980. One of the changes in the regulations was the deletion of all references to the Health Education Assistance Loan (HEAL) Program authorized by title VII-C-1 of the Public Health Service Act of 1944, as amended. The deletion is necessary because the Secretary of Health and Human Services has the statutory authority to administer that program.

In deleting the references to the HEAL Program, two citations were inadvertently retained. Under "Emergency Action" (34 CFR 668.74) the phrase in paragraph (a) "and to withdraw the authority of an institution to obligate funds under the HEAL Program" should have been deleted.

Paragraph (a) should read as follows:

The Secretary through a designated ED official,

may take emergency action to withhold funds from an institution or its students under any or all title IV student assistance programs covered under this subpart. . . .

The second HEAL reference which was inadvertently retained occurs in "Reinstatement after termination" (34 CFR 668.84). Under paragraph (d)(2) the phrase "in the HEAL Program" should have been deleted. Paragraph (d)(2) should read as follows:

In the event the Secretary's response allows reinstatement subject to limitation, the institution by requesting a show cause meeting, shall not be deemed to waive its rights to participate in any or all title IV programs covered under this subpart if it complies with the reinstatement limitations pending the outcome of the meeting.

Pre-Award Match of VA Educational Benefits is Discontinued

During the 1979-80 and 1980-81 academic years, the Basic Grant Program has been conducting a veterans educational benefits pre-award identifiable match. The purpose of this match has been to identify those Basic Grant applicants who appeared on the VA tape and who did not report their VA educational benefits on their Basic Grant applications. These applications were rejected and the applicants were asked to check this item. Some of these applicants, who either verified or corrected this item below the half-time VA amount, were then selected for validation.

Beginning with the 1981-82 academic year, the Office of Student Financial Assistance (OSFA) will discontinue this match because it did not work well and because it placed an additional burden on schools to resolve conflicting information they receive from students. However, we will still be selecting applicants for validation under the less than half-time criteria during the 1981-82 processing year. Applicants selected for this reason must complete the validation requirements according to the procedures outlined in the 1981-82 Validation Handbook.

Why The Match Did Not Work

Recently, a statistical study was conducted which compared the 1979-80 VA recipient file with the 1979-80 Basic Grant recipient file to determine the error rate in the award of Basic Grants because applicants misreported VA educational benefits. The results of this study indicated that there is a high rate of error

in this item and the pre-award match did very little to correct the error. While the match identified some veterans and dependents who had not reported their educational benefits to us, we missed an even greater number of non-reporters. Even after we identified non-reporters, the amounts they estimated they would receive were incorrect. This occurred primarily because we request that applicants estimate VA benefits they will receive in the upcoming year and these amounts frequently change during the year because of changes in enrollment, number of dependents, etc.

We missed a greater number of non-reporters than we were able to identify because applicants receiving VA educational benefits for the first time historically do not apply to the Veterans Administration (VA) until August or September, or later. The records received from VA were extracted from their file in January or February. Therefore, for the most part, first year applicants were not listed in these records.

The School's Responsibility Currently

The Student Assistance General Provisions require that schools develop an adequate system to verify the consistency of the information they receive from different sources with respect to a student's application for financial aid under title IV programs. The Basic Grant Program regulations state that, if a school has documents which indicate that the information used to calculate the student's expected family contribution might be inaccurate, it may not pay a Basic Grant until the student corrects the error or verifies the data. Therefore, selecting students for validation under the VA pre-award match is a duplication of effort.

One of the requirements set by VA for payment of VA educational benefits to eligible students, is that schools must certify the enrollment status of these students at the beginning of each academic year. In addition, every time a student makes any changes to this initial certification, the schools must certify these changes to VA within 30 days from the time the change occurred. The General Provisions and the Basic Grant Program regulations require the schools to ensure that these changes are made on the SERs of those students enrolled at their schools who are receiving both VA educational benefits and Basic Grant awards. At many schools this results in a continuous cycle of updating SERs and recalculating Basic Grant awards.

Modification Of This Requirement

In an effort to reduce the burden placed on the financial aid community and to eliminate the constant updating requirement of reporting VA educational benefits, we have modified this requirement so that

schools are now required to verify this item only prior to the student's first Basic Grant disbursement for the award year (if the school has knowledge that the student has applied for VA educational benefits). The following procedures will become effective beginning with the 1981-82 academic year:

1. Schools will be responsible for developing their own method for verifying VA educational benefits. Since all schools must certify the enrollment status of a student to the Veterans Administration, the school may wish to coordinate its own method for verifying this item with the certification of the student's enrollment status. If the student is receiving VA educational benefits but has not reported an amount on the SER, the school must determine the amount to be reported. The school should verify this amount based on the student's filing status, number of dependents claimed, and the current enrollment status. Examples of methods that may be used to verify the amount reported are:

- a. Ask the student to provide a copy of his/her VA award letter; OR
- b. Refer to the appropriate VA rate table; OR
- c. Ask the student to submit a statement obtained from the VA office on campus which lists the latest amount received by the student.

If differences between what the student reported and the verified amount fall outside of the allowable discrepancies, the SER must be reprocessed before payment can be made. Once the school has verified this item and disbursed the student's first Basic Grant award payment, further verification or updating will be at the school's option.

2. If the school has no knowledge that the student has applied for VA benefits until after the first disbursement, the school must verify this item before the next disbursement (but within the academic year). Schools will be responsible for creating their own system for verifying this item, where the newly-established request for certification to VA is compared to the previously submitted SER.

3. Transfer students who have already received the first Basic Grant payment and who have reported an amount of VA educational benefits on their SERs, do not need to have the VA educational benefits re-verified by the second school before receiving their Basic Grant award payments unless the school chooses to do so. If a transfer student's SER does not show an amount of VA educational benefits, and the second school knows the student is receiving VA benefits, the second school must determine an amount to be reported on the SER at the same time it certifies the enrollment status to the Veterans Ad-

ministration. Verification of this item must be completed by the school (within the academic year) before the next disbursement can be made.

Allowable Discrepancies

The student's SER will need to be reprocessed if the difference between the VA reported amount and the verified amount is greater than the appropriate allowable discrepancy:

Dependent Student: If the VA verified amount (month times amount) differs from the amount the student has reported on the SER by less than \$1000 and this is the only discrepancy on the SER, the SER does not have to be reprocessed. The student may receive payment based on the SER (s)he has submitted.

Independent Student: If the VA verified amount (month times amount) differs from the amount the student has reported on the SER by less than \$200 and this is the only discrepancy on the SER, the SER does not have to be reprocessed. The student may receive payment based on the SER (s)he has submitted.

Errors in Reporting VA Educational Benefits for 1980-81

We have found that many students are inadvertently reporting VA non-educational benefits as VA educational benefits on their Basic Grant applications. The following are guidelines to assist financial aid administrators in validating and assisting these students.

The authorizing legislation for the Basic Grant Program defines VA educational benefits as only those benefits under the *G.I. Bill* and the *Dependents Educational Assistance Programs* (Chapters 34 and 35 of Title 38). Amounts received under these programs should be reported in box 44 on the 1980-81 SER. The number of months these benefits are to be received during the academic year should be reported in box 45. For these programs, the minimum full-time amount is currently \$342 per month and the minimum half-time amount is \$171 per month.

The rates for the GI Bill and DEA Programs have increased twice during 1980-81. The old and new rates for students with no dependents are:

	Full-time	Half-time
as of 9/30/80	\$311	\$156
10/1/80 thru 12/30/80	\$327	\$164
1/1/81 to present	\$342	\$171

The edits for 1980-81 were set before Congress approved a rate change. Also, many students had applied for a Basic Grant before the rate change. Therefore, we are not requiring students who put the old rates on the application to change their SER to the new rates if the VA benefits were otherwise correctly reported.

There are currently two main types of edits in the processing system which deal with VA. They are:

1) *the VA match*—these edits compare a tape from VA (which indicates a student's eligibility for VA educational benefits) with the Basic Grant applicant file. If a person appears on the VA tape but does not report benefits on his/her application, (s)he will be rejected. If (s)he verifies that (s)he will not be receiving benefits, (s)he is selected for validation;

2) *the less than half-time edit*—this edit looks at the amount reported as VA educational benefits. If the student reports an amount in Box 44 which is less than \$156 (s)he is rejected. If (s)he verifies the amount reported or changes it to an amount which is still less than \$156, (s)he is also selected for validation.

One of the most common errors in the reporting of VA benefits is that students report Death Pension or Dependency and Indemnity Compensation benefits as VA educational benefits. Since the monthly amount for these programs is under \$156, many students will be selected for reporting less than half-time benefits. Although benefits from these programs are paid to students while they are attending college, they are not considered VA educational benefits for Basic Grant purposes.

Death Pension

Students who receive a *Death Pension* (which means that the veteran's death was not service-related) should not report these benefits as educational benefits in box 44 on the SER. Rather, the benefits are considered nontaxable income and should be reported for the base year in either box 29, ONTI, or box 53, student's income, (see reporting guide below.) Students are eligible for these benefits up to age 18 (or until 28 if they are attending a VA-approved school).

Dependency and Indemnity Compensation (DIC)

DIC is a program available to the children of veterans whose death was service-related. DIC benefits are reported in the same way as Death Pension benefits, in either box 29 or 53 on the SER.

Note: At age 18, a student at a VA-approved school who is eligible for DIC has the option of converting

to the Dependents Educational Assistance Program (DEA, Chapter 35). If a student does or will receive DEA benefits during the award period, those benefits must be reported as VA educational benefits in box 44. The amount reported should be greater than \$155.

*Guide for Reporting DIC
and Death Pension Benefits*

if the student received a check in his/her name	and is dependent	the total benefits received in 1979 should be reported in SER Box 53
if the student received a check in his/her name	and is independent	the total benefits received in 1979 should be reported under ONTI-SER Box 29
if the student's parent received a check in his/her name	and the student is dependent	the total benefits received for 1979 should be reported under ONTI-SER Box 29
if the student's parent received a check in his/her name	and the student is independent	the benefits should not be reported
if the student's parent received a check in his/her name for the student's sibling	and the student is dependent	the total benefits received in 1979 should be reported under ONTI-SER Box 29
if the student's sibling received a check in his/her name		the benefits should not be reported

The information will apply for 1981-82 as well, except that there will be no VA match and Dependent Student's Income will appear in SER Box 33.

Questions and Answers on Student Financial Assistance

The following is a continuation of questions and answers on various aspects of the Federal student financial aid programs:

Basic Grants

Q. How can students change their dependency status in 1981-82?

A. The best way for students to change their de-

pendency status in 1981-82 is to call the Basic Grant application processor. The application processor will send the student a Basic Grant Correction Application which the student should complete and return.

Q. Can schools be supplied with Basic Grant Correction Applications?

A. No.

Q. How will we measure satisfactory progress now that students can get a Basic Grant until they complete a first undergraduate bachelor's degree? Are there any limitations on this new provision?

A. Satisfactory requirements will not change. Each institution will continue to establish its own standards.

Q. Can previously ineligible students who have already received eight semesters of Basic Grants now get a ninth semester?

A. Yes, previously ineligible students who have already received eight semesters of Basic Grants can now be paid for a ninth semester. Institutions are encouraged to notify any students who have not yet received their first bachelor's degree, but have already received the maximum Basic Grant assistance under the former statutory limitations, that they may now be eligible for additional assistance.

Q. What about a student who was overpaid last award year by receiving a ninth semester; does (s)he still owe a repayment?

A. Yes. The student must repay the amount before (s)he can receive additional Basic Grant assistance.

Q. What will be done to get students to submit an SER to the financial aid office if they are now eligible for a Basic Grant but have previously received a message that they have used up their eligibility?

A. We will be sending a new SER to students who were previously rejected in the 1980-81 system. Of course, no student will be rejected in 1981-82 for using up his/her eligibility.

Q. What will be the effect of including handicapped student costs in the Basic Grant cost of attendance?

A. The Education Amendments of 1980 includes, as a component of the Basic Grant cost of attendance, an allowance for expenses related to a student's handicap which are not provided for by another assisting agency. This provision does not affect the entitlement aspect of the Basic Grant Program, but simply reduces the cost of attendance by the amount of

handicap-related costs met by another agency or program.

Q. Will the range of the student's Basic Grant award be on the SER in 1981-82?

A. Yes, the range of the student's Basic Grant award will be on the SER in 1981-82; however, it may be located on the back of the SER.

Q. What happens when a Basic Grant application is submitted without a Social Security number and the student later submits his/her Social Security number?

A. The student is assigned a number by the Basic Grant processor and the SER is returned to the student without an eligibility index. If the student later provides a Social Security number, an eligibility index can be released and a cross reference is created in the system to provide a trail for locating the student records.

Q. When will the first 1981-82 Basic Grant applications be processed?

A. We plan to begin processing 1981-82 applications in February 1981.

Q. What will the SER submission and correction turnaround time be in 1981-82?

A. In 1981-82 students should receive another SER within 4 weeks of the date they send their corrections to the Basic Grant application processor.

Q. What will the maximum Basic Grant award be in 1981-82?

A. In 1981-82, the maximum Basic Grant award at full funding will probably be \$1,900.

Q. Will the SEOG appropriations impact on this amount?

A. No, the SEOG appropriations will not impact on the maximum Basic Grant award.

Q. How should we refer to the Basic Grant (Pell Grant) Program after October 1, 1980?

A. For the 1981-82 award year, all application forms will refer to the program as Basic Grants. Counselors and students should be told that the name has changed and Basic Grants will be referred to as Pell Grants in the 1982-83 award year.

Q. When a divorced parent remarries after January 1, 1981, is the stepparent's income required on the 1981-82 Basic Grant application form?

A. The criteria for reporting a stepparent's income will be the same in 1981-82 as they are in 1980-81. Refer to the instructions that accompany the application form for the answer for a particular student.

Q. In which award year will married students have additional criteria to determine their dependency status?

A. Married students will have additional criteria to determine their dependency status beginning with award year 1982-83.

Q. For which award year will home equity no longer be included in the computation of the family contribution?

A. Beginning with the 1982-83 award year, home equity will no longer be included in the computation of the family contribution.

Q. What changes in assessment rates on discretionary income are anticipated in the 1981-82 and 1982-83 award years?

A. There are no changes contemplated for 1981-82. For 1982-83, we will publish an NPRM in which we expect to propose a 14 percent assessment rate for the first \$25,000 of expected family income for a dependent student. That rate, if chosen, will apply to both the dependent student's own income and to the parental income. Higher assessment rates will probably be proposed for expected family incomes above \$25,000. Assessment rates for independent students with dependents will be the same as the rates for dependent students. Rates for single independent students have not been determined yet.

Campus-Based Programs

Q. Can we award aid on a first come, first served basis? How should aid be apportioned among aid applicants? Are deadlines an acceptable method? Should a portion of available aid be set aside for late coming low-income students? What are acceptable targeting techniques?

A. In considering all applications for financial aid, it is both usual and proper for an institution to grant priority consideration to the student with the greatest need for assistance. Since the early 1960's we have encouraged institutions to give primary consideration to these students. We have no authority to approve institutional policies which arbitrarily "set aside" (i.e., reserves) certain funds for particular groups of students. Nevertheless, the institution may elect to design its system for conferring aid to needy students whom it considers will benefit most from the assistance offered.

SEOG

Q. Clarify the new provision for the transfer of funds from initial year to continuing year accounts. What is the effective date of this provision?

A. Although institutions will continue to request and receive initial year (IY) allocations and continuing year (CY) allocations, institutions may make transfers from their IY allocations to CY for making CY awards, and transfers from their CY allocation to IY for making IY awards, in a manner that institutions determine will best meet their students' needs. Institutions will continue to be required to report IY expenditures and CY expenditures separately on their Fiscal Operations Reports as of June 30, 1981. The new provision for the transfer of funds from IY to CY accounts is effective immediately.

Q. What is the future of the SEOG Program without the exceptional need provision? Will this result in less needy students getting SEOGs?

A. Even though exceptional financial need is no longer a requirement, the institution should still base the order of selection on need. It is possible that less needy students will now be eligible for an SEOG.

NDSL

Q. Clarify the procedures involved in converting the NDSL Program from a 3 percent to a 4 percent interest loan program.

A. These procedures are fully explained on pages 10-13 of the October 1980 Dear Colleague letter and in the Nov.-Dec. *Bulletin*.

Q. Can 3 percent and 4 percent interest loans be consolidated for repayment?

A. No. Terms and conditions of 3 percent loans are different than the terms and conditions of 4 percent loans.

Q. How can we comply retroactively with the provision requiring that we provide student consumer information about the new 4 percent interest NDSL?

A. We suggest that as soon as possible institutions incorporate the new NDSL information in an addendum to the student consumer information they are currently distributing.

Q. Can GSLs and NDSLs now be consolidated?

A. Under the 1980 Education Amendments, a borrower may request a consolidation loan from Sallie Mae if the borrower has loans totalling \$5,000

or more under "two or more programs or lenders" [sic] under GSL, NDSL, or HEAL. A borrower may also request a consolidated loan if his or her loans total \$7,500 or more from a single lender under GSL. Sallie Mae is still planning this provision, and the target date for implementation is July 1981.

CW-S

Q. Explain the new provision that allows financial aid administrators to carry forward or backward 10 percent of their CW-S funds.

A. These two provisions are fully explained on pages 8 and 9 of the October 1980 Dear Colleague letter and in the Nov.-Dec. *Bulletin*.

Q. Whose standards are used for determining the Federal minimum wage rates?

A. The Fair Labor Standards Act of 1938 administered by the Department of Labor.

Q. Will state schools be required to pay the new minimum wage effective January 1, 1981?

A. Yes.

Cost of Attendance

Q. Will the new cost of attendance regulations be ready in time for us to package aid for the 1981-82 award year?

A. The cost of attendance regulations were published in the January 21, 1981 FEDERAL REGISTER.

Q. Will the new cost of attendance definition be the same for all title IV programs in 1981-82?

A. The cost of attendance definition for all title IV programs is basically the same in 1981-82 except for minor variations resulting from the unique entitlement aspect of the Basic Grant Program and from a provision in the Education Amendments of 1980 which allows an adjustment to an individual student's need determination only for the campus-based programs.

Q. When is the new cost of attendance definition effective for Basic Grants, for Guaranteed Student Loan (GSL), and the campus-based programs?

A. For purposes of the GSL Program and the three campus-based programs, the effective date for using the new cost of attendance definition is October 1, 1980. However, for the remainder of the current award year, institutions are not required to recalculate their student budgets. For purposes of the

Basic Grant Program, the effective date for the new cost of attendance definition is July 1, 1981.

Guaranteed Student Loan Program

Q. What are the effective dates of the new loan rates?

A. Under the Education Amendments of 1980, the applicable interest rate is 7 percent per annum on loans made to borrowers who are applying for loans to cover educational costs for a period of instruction beginning prior to January 1, 1981. Additionally, borrowers who have outstanding GSLs for which the applicable rate is 7 percent will be limited to a maximum interest rate of 7 percent on additional loans.

The applicable interest rate is 9 percent per annum for any new student borrower who obtains a loan under the GSL Program for a period of instruction beginning on or after January 1, 1981.

A new statutory formula makes it possible that the interest rate for new borrowers will drop to 8 percent at a future date, but not before the spring of 1982.

Q. Define "new borrowers."

A. A "new borrower" is one who obtains a loan under the GSL Program for a period of instruction beginning on or after January 1, 1981, and who does not have an outstanding GSL with an interest rate of 7 percent or less with any lender on the date the promissory note is signed.

Q. Will there be a common GSL application form?

A. A committee comprised of representatives from the Office of Student Financial Assistance (OSFA) and the guarantee agencies has developed a "common" GSL application form which reflects the changes made by the Education Amendments of 1980. This application is intended for use by the Federal Insured Student Loan Program (FISLP) as well as guarantee agency program lenders. The form and promissory note are currently in the clearance process and will be available for use by FISLP lenders in the spring. Virtually all of the guarantee agencies have agreed to the concept of a single form to be used by all agencies. Each agency will have the flexibility to add some additional items in addition to the core of fixed items. However, not all agencies will use this form this year because of the time required to make software changes.

Q. How do we determine that a student is a first-time borrower? Who is responsible for determining this?

A. It is the lender's responsibility to review the

information provided by the student on the application form along with other information in the agency's data system to determine whether the student is a first-time borrower.

Q. How will financial aid offices get the new \$10 administrative cost allowance? When is this provision effective?

A. Although this provision is effective for loans borrowed to cover costs for the award period beginning July 1, 1980, a determination has not yet been reached as to how the payments will be made to schools. Schools will be notified by bulletin when a decision on this issue is reached and when it has been determined that all appropriations issues have been resolved.

Q. Can OSFA encourage banks to send GSL checks directly to the institution?

A. Under the existing GSL Program regulations, lenders participating under the FISLP are required to send checks directly to the school for delivery to the borrower, unless the borrower is attending a foreign school. However, for loans made by lenders participating under a guarantee agency program, the manner in which checks are to be disbursed is determined by the guarantee agency.

Q. How will the definition of Dependent/Independent student be handled for GSL purposes? Must the student status be marked in on the old application? Who is responsible for this determination?

A. The school will be held responsible for determining student status. Until regulations become effective for the GSL Program defining the terms "dependent" and "independent" student, schools should apply the Basic Grant definitions. Until new applications are available, this determination is required only for undergraduate independent students who are seeking loans in excess of \$2,500 in an academic year.

In the majority of cases, the school will have no need to seek out the student's statement on dependent or independent status because the information will be available from the aid applications that the student submits for the Basic Grant and campus-based programs. If the information is not available because the student has not applied for other aid, the school will have to obtain it. In those cases, schools should print the six relevant questions on a separate form to be used for the GSL Program. The student must sign this form.

If the student is independent, the school must certify this fact on the application form by entering the word "INDEPENDENT" in boldface in a conspicuous place

within the school section of the application. On the newly developed student application form, the school will merely have to check the appropriate box.

Q. What is the effective date of the higher GSL maximums?

A. The provisions authorizing the higher loan limits are effective for loans disbursed on or after January 1, 1981. If a student loan application was processed prior to January 1, but the loan is not disbursed until January 1 or later, the new loan limits apply. The amount of the loan may be reflective of costs incurred by the student for the period of enrollment which began prior to January 1.

Parent Loans For Undergraduate Students

Q. Will banks want to participate in the PLUS (Parent Loans for Undergraduate Students) Program?

A. Yes, we expect banks will want to participate in the PLUS Program.

Q. When will the program become effective?

A. The effective date of the PLUS Program legislation is January 1, 1981; however, in most states, the program will not be implemented until well after January 1, possibly not until the fall of 1981, because of the need for guarantee agencies to seek state authorization in some cases, and to develop new forms procedures and computer software programs.

Q. Will lenders make credit reliability a factor in making the PLUS loans?

A. Although performing a credit check is at lender discretion, some lenders have told us they will make credit reliability a factor in making PLUS loans.

Q. Will this program become so popular with the banks that they will no longer make GSLs to students?

A. Informal discussion with several lenders have not resulted in any discernable pattern of lender attitudes.

Q. Will there be deferment provisions for parents?

A. Loans made under the PLUS Program carry the same deferment provisions as loans made under the GSL Program.

Q. How can we determine that the loan is being used for educational purposes?

A. The amount of loan that a parent is eligible for is

based upon the school's certification of the student's cost of attendance minus estimated financial assistance which does include loans made to the student under the GSL Program. The result is the maximum amount the parent may borrow to cover the student's educational expenses. The formula does not take into account the amount the family is capable of contributing to the student's educational costs because, unlike the Basic (Pell) Grant and campus-based programs, the GSL and PLUS programs are not need based. Parents will be required to certify that the funds received will be used only for payment of educational expenses.

Q. What assurances will we have that the student is still in school when the loan is disbursed?

A. If the PLUS loan check is sent to the parent directly, which will be required for PLUS loans made under the Federal program, the school will receive written notification from the lender at the time the check is disbursed. This procedure will also apply to loans made by guarantee agency program lenders, provided the guarantee agency exercises its option to require the lenders to mail the check directly to the parent.

If at any time the school is aware that a PLUS loan has been disbursed to a parent for a student who has not enrolled, the school should notify the lender of this fact.

Q. What is the philosophy and purpose of the PLUS Program?

A. The PLUS Program was established to ease the acute financial burden that postsecondary education places on many families, particularly the middle-income families who generally do not qualify for other forms of financial assistance and who may not have the savings or other liquid assets available to make a single lump sum payment for college costs.

Q. What will the repayment schedule for the program be?

A. The first payment is due within 60 days of disbursement and parent borrowers are responsible for paying all interest that accrues over the life of the loan.

Q. Should a parent loan be made before or after a GSL is made to a student?

A. There is no specific order in which students or parents must apply. Obviously, it is to the student's and parent's benefit to exhaust all other forms of financial aid before applying for a loan under either GSL or PLUS.

Q. What should financial aid administrators tell high school counselors about the program?

A. It would be useful for counselors to know the following facts about the PLUS Program:

1. The PLUS Program is available to parents of dependent undergraduate students who are attending a participating school at least half-time.
2. The maximum amount a parent may borrow for any one student in any academic year is \$3,000. The aggregate loan limit for each dependent undergraduate student is \$15,000.
3. The first payment is due within 60 days after disbursement, and there is no Federal interest subsidy on PLUS loans.
4. The effective date of the Plus Program is January 1, 1981; however, there will be some states where the loans to parents program will not be implemented until well after January 1 because of the need for guarantee agencies to change state laws.
5. Unless the lender and the parent borrower agree otherwise, the monthly minimum payment for all of the parent's loans, and loans which the parent may have as a student under the GSL Program, must be \$30, or the amount which will allow the loan to be paid in full in five years, whichever is more. The lender may allow the parent up to 10 years during which to repay the loan.
6. If the parent meets certain requirements, the parent has a right to defer principal payments on the loan. Also, the parent has a right to a six-month post-deferment grace period after each period of authorized deferment during which time payments of principal are also deferred. However, interest will continue to accrue and be payable by the parent during any authorized deferment period and post-deferment grace period.
7. The parent's obligation will be cancelled if the parent becomes totally and permanently disabled or if the parent dies.

College Work-Study Program (CW-S)

Minimum Wage

Q. How long does an institution have to implement the new requirement that CW-S students be paid at least the Federal minimum wage?

A. As detailed in the Dear Colleague letter mailed to institutions in October and the Nov.-Dec. *Bulletin*, the minimum wage amendment to the CW-S statute by

the Education Amendments of 1980 was effective upon enactment. Therefore, students were entitled to receive at least the minimum wage for work performed on or after October 1, 1980. If an institution was paying its CW-S students a subminimum wage, it did not have to immediately adjust its pay scale. However, the institution was required within a reasonable period of time to adjust each student's wage rate and pay the student the difference between the minimum and subminimum rate. Three months have passed since the President signed the law, and institutions must now be in compliance with the law. CW-S students must have been paid a minimum of \$3.10 per hour through December 31, 1980, and \$3.35 per hour beginning January 1, 1981. Arrangements should also have been completed for reimbursing students for hours worked at subminimum wages between October 1 and the time the institution adjusted its pay scale.

Q. Does implementation of the minimum wage for CW-S students have an impact on wages paid to other students on campus?

A. No. The CW-S minimum wage requirements of the Education Amendments of 1980 directly affect only wages for CW-S students attending both public and private institutions. Institutions should contact the Department of Labor for guidance on equal pay provisions for students not employed under the CW-S Program.

Q. What happens if an institution has signed an off-campus agreement which provides that the employer may pay subminimum wages to CW-S students.

A. The Federal law supersedes all CW-S contracts. The change in the provisions for the CW-S Program covers all work-study students, regardless of whether they are employed on-campus or off-campus and without regard as to whether the students are paid by the institution or an off-campus agency. Wage rates in any off-campus arrangement must be changed to reflect the Federal minimum wage rates. All students must be reimbursed for any work performed on or after October 1, 1980 that was performed at less than the minimum wage rate.

Community Service Learning (CSL)

Q. Are any special procedures required to set up a Community Service Learning program and to draw down the 10 percent administrative cost allowance?

A. An institution needs no separate application or agreement form to implement a Community Service Learning program. However, the law does contain detailed descriptions of the nature of services to be provided and the benefits to be derived. The

Secretary plans to solicit comments concerning how institutions should operate such a program.

In the interim, institutions that wish to establish a Community Service Learning program should follow the law, keeping in mind the following:

1. The services must be—

(a) tangible community services for or on behalf of low-income individuals or families; and

(b) work learning opportunities for students which are related to the students' educational or vocational or program goals.

2. The services are to be provided to persons other than students at the institution which operates the program.

3. The 10 percent administrative cost allowance—

(a) is to be based on wages paid to CW-S students participating in the CSL program. Therefore, no allowance may be withdrawn for any expenditures prior to October 1, 1980; and

(b) may be used to conduct the Community Service Learning program.

Note: CSL expenditures are not limited to 10 percent of an institution's CW-S allocation as indicated in the October Dear Colleague letter.

New Administrative Cost Allowance for Campus-Based Programs

Q. How are the new administrative cost allowances to be computed and drawn down from program allocations this year? Are there any restrictions on use of the funds?

Participating in the campus-based (SEOG) programs is entitled to a new cost allowance effective July 1, 1981. The amount of the allowance, an institution must first take the sum of its expenditures in all three programs, excluding expenditures under a CW-S Community Service Learning program.

The allowance equals (a) Five (5) percent of \$2,750,000 of expenditures plus (b) one percent of expenditures which are in excess of \$2,750,000 but less than \$5,500,000, plus (c) one percent of expenditures in excess of \$5,500,000.

The administrative cost allowance for all three programs must be withdrawn from any campus-based

program in which the institution has disbursed funds to students during the award year. For example, if an institution pays CW-S wages to students, it may use CW-S funds for its administrative allowance. However, if a school offers NDSLs to students during an award year, but no students accept the offers and no loan advances are made, the school may not withdraw any of its administrative allowance from the NDSL fund.

A separate, additional administrative allowance is available beginning October 1, 1980, to institutions which establish a Community Service Learning (CSL) program. To determine the allowance, an institution should take ten (10) percent of its CW-S expenditures under CSL. This portion of the administrative cost allowance must be withdrawn from the institution's CW-S allocation.

The administrative cost allowances are for the sole purpose of offsetting the costs of administering the Pell (Basic) Grant, NDSL, CW-S, and SEOG programs.

National Direct Student Loan (NDSL)

Q. Must institutions use an addendum to an NDSL promissory note during the 1980-81 award year?

A. We have received several questions concerning the statement in the October Dear Colleague letter that institutions must use the Addendum to the NDSL promissory note which was provided as an attachment to that letter. The November-December *Bulletin* also has a copy of the Addendum. The intent of the directive was to ensure use of a promissory note that was compatible with the new NDSL provisions and which would ease the burden on institutions. The Addendum was developed so that institutions could use their old note forms until new note forms were available. Use of a revised note form is preferable; a new promissory note has been developed and appears in appendix B of the January 1981 campus-based program final regulations.

In the meantime, you should have received a Dear Colleague letter dated December 17, 1980, which advised you of the postponement of the October 1, 1980 effective date of the increase in the NDSL interest rate from 3 to 4 percent. Effective July 1, 1981, the interest rate will be 4 percent. As indicated in item (2) of that letter, institutions may use their existing note forms at the 3 percent rate to make new loans and may simply notify the borrower in writing of the new provisions applicable to loans made on or after October 1, 1980. If institutions choose to use the Addendum, they must use it only for new loans and in the manner described in the October Dear Colleague letter.

The reference to the change in the interest rate in the Addendum must now be deleted.

Effective July 1, 1981, institutions must use new promissory note forms with the 4 percent interest rate and all other new provisions included.

NDSL Chart

Because so many questions have arisen concerning various situations with NDSL notes, we have constructed a chart which we hope will assist you in processing loans during the 1980-81 award year. In using the chart, the following background information may be useful:

1. The December 17 and October 22 Dear Colleague letters are to be used in conjunction with each other.

2. The type of note form used and the date(s) the student signed the advance(s) (not the date the note was signed) are the most critical pieces of information in determining how to treat a loan, i.e., which provisions apply.

3. All advances signed for during the same award period on the same promissory note are subject to the same terms and conditions. Thus, if a new or previous borrower signed for an advance during the period July 1, 1980-October 1, 1980, the entire 1980-81 loan is considered made under the old provisions if the institution continues to use the same promissory note.

4. If the first 1980-81 advance was signed for on or after October 1, 1980, all new provisions except the interest rate apply to all advances made during 1980-81. Thus, a previous NDSL borrower who signed for his or her first 1980-81 advance after October 1, 1980, must be considered to have a 3 percent loan with new provisions for 1980-81 even if the institution has continued to use an open-end note on which earlier advances were made before July 1, 1980. In the case where 1980-81 advances are on an existing (or previously used) open end promissory note, the institution must make it clear that the new provisions apply only to the advances that were signed for on or after October 1, 1980.

Type of Note	Type of Disbursement	Date Advance Is Signed	Action(s) to be Taken
Closed end	Single	July 1, 1980-Sept. 30, 1980	All provisions in note apply. (3% interest rate and old terms and conditions). Note closed, by definition.
Closed end	Single	Oct. 1, 1980-June 30, 1981	Institution must charge 3% interest, regardless of whether student signed an old note, with or without addendum, or a new note. Loan must carry new terms and conditions. Institution may: (1) use a new note form (3% interest rate and new provisions) (2) use an old note form and modified addendum (3) use an old note form and notify borrower in writing of new provisions. Note closed, by definition.
Closed end	Single	July 1, 1981 and after	Institution must use a new promissory note which includes 4% interest rate and all other new provisions.
Closed end	Multiple	July 1, 1980-Sept. 30, 1980	All provisions in note apply. (3% interest rate and old terms and conditions). Institution must continue to disburse under old terms unless borrower requests new terms and new note is used. (See below) Note closed at end of 1980-81, by definition.
Closed end	Multiple	Oct. 1, 1980-June 30, 1981 (2nd or later advance made after Oct. 1)	Because borrower signed for an advance between July 1 and Sept. 30, the whole loan is considered made before Oct. 1. Institution must issue advances under old terms and conditions if same promissory note is used. If borrower request new provisions for advances after Oct. 1, old note must be closed and new note issued. To issue a new note, institution may: (1) use a new note form (3% interest rate and new provisions) (2) use an old note form and modified addendum (3) use an old note form and notify borrower in writing of new provisions. Note closed at end of 1980-81, by definition.

Closed end	Multiple	Oct. 1, 1980-June 30, 1981 1st advance; subsequent advances on same note	Institution must charge 3% interest, regardless of whether student signed an old note, with or without addendum, or a new note. Loan must carry new terms and conditions. Institution may: (1) use a new note form (3% interest rate and new provisions) (2) use an old note form and modified addendum. (3) use an old note form and notify borrower in writing of new provisions Note closed at end of 1980-81, by definition.
Closed end	Multiple	July 1, 1981 and after	Institution must issue a new note which includes 4% interest rate and all other new provisions.
Open end	Multiple	July 1, 1980-Sept. 30, 1980 (1st advance on note)	Any advance before Sept. 30 is considered part of 3% note with old provisions. For subsequent advances, after Sept. 30, institution has 2 options: (1) It may continue to use the old notes for the remainder of 1980-81 and issue advances under old provisions. (2) It may close out the old notes and issue new 3% notes with new provisions. To do this, institutions may: (a) use a new note form (b) use an old note form with modified addendum (c) use an old note form and notify the borrower in writing of new provisions Any note(s) used must be closed before July 1, 1981.
Open end	Multiple	July 1, 1980-Sept. 30, 1980 (2nd or later advance on note used in a previous award year(s))	Same situation as above
Open end	Multiple	Oct. 1, 1980-June 30, 1981 (1st advance on note)	Institution must charge 3% interest, regardless of whether student signed on old note, with or without addendum, or a new note. Loan must carry new terms and conditions. Institution may: (1) use a new note form (3% interest rate and new provisions) (2) use old note form with modified addendum (3) use old note form and notify borrower in writing of new provisions. Note must be closed before July 1, 1981.
Open end	Multiple	Oct. 1, 1980-June 30, 1981 (1st advance for 1980-81 but note contains advance(s) from previous award year(s))	All advances made Oct. 1, 1980 or after must carry 3% interest rate and new provisions. Institution must either: (1) Notify borrower in writing that advances made on the note on or after Oct. 1, 1980 carry new provisions, making clear that old provisions still apply to advances before Oct. 1, 1980. (2) close out the old, previously used note and issue a new note. Institution may: (a) use a new note form (3% interest rate and new provisions) (b) use an old note form and modified addendum (c) use an old note form and notify borrower in writing of new provision. Any note(s) used must be closed before July 1, 1981.
Open end	Multiple	July 1, 1981 and after	Institution must use a new promissory note which includes 4% interest rate and all other new provisions.

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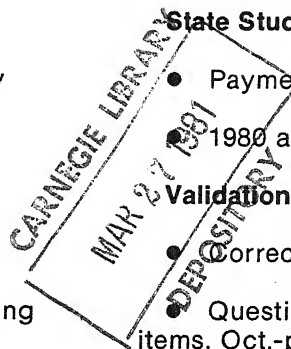
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The Bulletin is published by the Office of the Deputy Assistant Secretary for Student Financial Assistance, U.S. Department of Education, 400 Maryland Avenue, S.W., ROB-3, Room 4682, Washington, D.C. 20202; Patricia A. Dorn, Editor. No permission is necessary to reproduce the text of any article in this issue.

DEPARTMENT OF EDUCATION

OFFICE OF STUDENT FINANCIAL ASSISTANCE
WASHINGTON, D.C. 20202

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The Bulletin

February
1981

Department of Education

Office of Student Financial Assistance

Butts Leaves

Effective February 6, Thomas A. Butts left his post as Deputy Assistant Secretary, joining other Education Department officials who have vacated or will soon vacate their jobs because of the change in Administrations. Butts will serve as an advisor to the Acting Assistant Secretary for Postsecondary Education until March 3. After that, he expects to continue working in the student financial assistance area.

James W. Moore (Director, Program Policy and Development) will serve as Acting Deputy Assistant Secretary.

SDC Toll-Free Services Uses Response Teams to Answer Questions

The toll-free service at the Systems Development Corporation (SDC) is now operational. SDC is using a new method to answer questions about 1981-82 Pell (Basic) Grant processing. A switchboard operator will answer the call and determine the nature of the caller's question. The call will then be directed to specialized response teams who will be trained to handle specific types of phone calls.

To get quicker service, callers can immediately ask the switchboard operator for the team best able to answer their questions. The teams are:

- Team 1 —Requests for duplicates,
—Checks on status of processing of applications and corrections.
- Team 2 —Help with corrections problems.
—Questions on the calculation of the Eligibility Index.
- Team 3 —Assistance in completing application and special condition forms.

Institutional Assistance Staff—All calls from institutional financial aid administrators
—All calls from counselors

ADS Staff—All calls related to ADS

SDC's Toll-free service numbers are:

1. For the Continental US (except calls originating in California)—(800) 423-6932.
2. For calls originating in California—(800) 352-8671.
3. For calls originating in Hawaii and Alaska—(800) 423-6872.

All activities related to the 1980-81 academic year will continue to be handled by ACT in Iowa City, Iowa and all calls about 1980-81 should be directed to them on (800) 553-6350. If the caller is in Iowa, dial (800) 272-6490, and dial (800) 553-6270 from Alaska or Hawaii.

Basic Educational Opportunity Grant Reporting Requirements

Progress Reports

Basic Grant Progress Reports which reflect the use of funds at the institution through each scheduled report submission and aid in determining the cumulative program funding level, must be submitted on time in order for us to provide a more equitable flow of funds to all institutions. Progress Reports are due November 15, March 15, and July 15 of each academic year. Failure to submit the reports by these dates will result in reduced funding. For us to better serve your institution, it is imperative that all scheduled reports be completed on time and mailed to:

Basic Grants
P.O. Box 2468
Washington, D.C. 20013

Institutions must be sure to use the correct address since reports mailed to other addresses impedes the processing cycle and increases the chances of documents being lost.